

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 SIL-01 /127 W
-----107752 161624Z /45

R 161524Z AUG 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 1127
INFO USDA/FAS WASHDC
EC COLLECTIVE
USMISSION GENEVA

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USEEC ALSO FOR EMBASSY; USMTN ALSO FOR MISSION; FAS
FOR SAYLOR, ACTING ASST. ADM. COMM.; OYLOE, ASST. ADM.
COMM. PROGS.; STARKEY, STR

E.O. 11652: N/A
TAGS: EAGR, GW
SUBJECT: TRADE COMMENTS ON WHEAT BRAN AND PROBABLE
ADDITIONAL EC COMMISSION ACTIONS

REF: A) HAGUE 4378; B) BRUSSELS 14512

1. RECENT CONTACTS WITH GRAIN TRADE PROVIDED THE
FOUNDATION FOR THE FOLLOWING OBSERVATIONS ON A NUMBER
OF RELATED SUBJECTS OF PARTICULAR INTEREST TO THE US.

2. EC COMMISSION CONSIDERATION OF INITIATIVES ON WHEAT
BRAN IMPORTS, AS REPORTED BY THE HAGUE (REF. A), MAY
VERY WELL HAVE BEEN AT THE INSTIGATION OF THE GERMAN
DELEGATION. THERE ARE VERY GOOD REASONS WHY THE GERMAN
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DELEGATION WOULD INITIATE SUCH ACTION. THE OBVIOUS
REASON IS THE POOR CONDITION OF THE GERMAN MILLING
INDUSTRY. THIS INDUSTRY HAS BEEN IN THE RED FOR A LONG
TIME AND LAST YEAR WAS PARTICULARLY BAD BECAUSE OF
WHAT THE TRADE DESCRIBES AS INTENSE COMPETITION FROM
THE ARGENTINES. TRADE REPORTS THAT LAST WINTER GERMAN
MILLERS LOST MEDITERRANEAN MARKETS TO THE ARGENTINES.

TRADE FIRMLY BELIEVES THAT LAST WINTER'S UNREASONABLY LOW ARGENTINE FLOUR BIDS WERE MADE POSSIBLE BY THE PROFITABILITY OF ITS BRAN EXPORTS. THE PROFITABLE BRAN EXPORTS REPORTEDLY INCREASED THE PROFITABILITY OF ENTIRE MILLING OPERATION AND THEREBY ALLOWS COMPETITIVE EXPORT PRICING FOR ARGENTINE FLOUR.

3. THIS MATTER IS, HOWEVER, MORE IMPORTANTLY VIEWED IN A LARGER CONTEXT. THE TRADE REPORTS THAT GERMAN OFFICIALS LOOK AT THESE IMPORTS AS MEETING THE LETTER BUT NOT THE INTENT OF THE CAP. THESE IMPORTS ARE NOT ONLY CREATING PROBLEMS FOR THE GERMAN MILLERS BUT MORE IMPORTANTLY ARE, ACCORDING TO THE GERMANS, UNDERMINING THE EC GRAIN MARKET.

4. VIEWED IN THE SENSE OF UNDERMINING THE EC GRAIN MARKET, THE POSSIBLE ACTIONS THE EC COMMISSION MAY IMPLEMENT TO LIMIT BRAN IMPORTS TAKE ON VASTLY MORE IMPORTANCE. THE TRADE VERY SPECIFICALLY NOTED THAT WHILE THE COMMISSION IS NOW TALKING ABOUT BRAN WHAT THEY REALLY HAVE IN MIND ARE CORN GLUTEN FEED, CORN GERM MEAL, CITRUS PULP AND OTHER NON-GRAIN FEED INGREDIENTS. OFFICIALS REPORTEDLY VIEW CORN GLUTEN FEED AS A METHOD TO IMPORT CORN AND AVOID THE THRESHOLD LEVY PRICING SYSTEM.

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5. OFFICIALS REPORTEDLY VIEW THE TRADE IN NON-GRAIN FEED INGREDIENTS AS DIRECTLY UNDERMINING THE CAP AND THEREFORE A SITUATION THAT CANNOT BE PERMITTED TO CONTINUE. THE EXPECTED RECORD CROP HERE AND ELSEWHERE

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STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 SIL-01 /127 W

-----107801 161626Z /45

R 161524Z AUG 78
FM AMEMBASSY BONN
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IN THE COMMUNITY WILL ADD TO THE PRESSURES TO TAKE
ACTION. THE TRADE THINKS THAT COME SEPTEMBER, EVENTS
WILL BEGIN FEEDING ON THEMSELVES AND WILL BE IN-
CREASINGLY DIFFICULT TO DEAL WITH. THEY URGE ACTIONS
NOW TO SLOW DOWN EVENTS.

6. ONE CONTACT RAISED THE QUESTION OF WHAT THE US
ATTITUDE WOULD BE TOWARD A THAILAND-EC AGREEMENT TO
SET LIMITS ON TAPIOCA IMPORTS IN THE EC, I.E.
A VOLUNTARY RESTRAINT AGREEMENT. HE NOTED THE POSSIBLE
EFFECTS THAT LIMITS ON TAPIOCA MIGHT HAVE ON SOYBEN
SOYBEAN IMPORTS. SOYBEANS NATURALLY COMPLEMENT STARCH-
RICH TAPIOCA.

7. COMMENT: THE COMMISSION'S PROPOSAL TO OBTAIN FOR
ITSELF THE AUTHORITY TO REWRITE AGRICULTURAL TARIFF
NOMENCLATURE (REF.B) APPEARS EVEN MORE OMINOUS IN
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LIGHT OF THE ABOVE REPORTS. THE POULTRY RECLASSIFICA-
TION PROPOSAL ALSO BECOMES AN ELEMENT IN THIS
EQUATION. THE INITIATIVE ON BRAN IS, IN OUR OPINION,
A TRIAL BALLOON.

8. RECEIVED STATE 206285 RE LEVIES ON EC IMPORTS OF
MILLING RESIDUES AFTER COMPLETION OF THIS CABLE. WILL
CONTINUE INVESTIGATION OF THIS MATTER AS DIRECTED.
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Message Attributes

Automatic Decaptioning: X
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Draft Date: 16 aug 1978
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Decaption Note:
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Disposition Approved on Date:
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